



House of Representatives

General Assembly

File No. 309

January Session, 2015

Substitute House Bill No. 5785

House of Representatives, March 31, 2015

The Committee on General Law reported through REP. BARAM of the 15th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING INSURANCE AND TESTING REQUIREMENTS FOR HOME IMPROVEMENT CONTRACTORS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective January 1, 2016*) (a) Each person who
2 applies for or seeks to renew a certificate of registration as a home
3 improvement contractor pursuant to chapter 400 of the general statutes
4 shall provide evidence of liability insurance coverage in an amount not
5 less than one million dollars to: (1) The Commissioner of Consumer
6 Protection or the commissioner's designee, and (2) the municipal
7 building department in each municipality where such person submits
8 building permit applications.

9 (b) Each person who applies for or seeks to renew a certificate of
10 registration as a home improvement contractor pursuant to chapter
11 400 of the general statutes shall provide evidence that such person has
12 passed: (1) An open-book written examination approved by the
13 Commissioner of Consumer Protection and based on written material
14 published and distributed at no charge to the public by the

15 Department of Consumer Protection, or (2) a course of study from a
16 program or school approved by the Commissioner of Consumer
17 Protection.

18 (c) The provisions of subsection (b) of this section shall not apply to:
19 (1) Any home improvement contractor who has continuously held a
20 valid registration in this state for the five years prior to the date of such
21 application or renewal, or (2) any registered home improvement
22 contractor who has gross annual receipts of not more than thirty
23 thousand dollars.

24 Sec. 2. (*Effective January 1, 2016*) (a) The Commissioner of Consumer
25 Protection shall conduct a study regarding enforcement and complaint
26 procedures relating to home improvement contractors registered
27 pursuant to chapter 400 of the general statutes.

28 (b) The study conducted pursuant to subsection (a) of this section
29 shall include, but need not be limited to: (1) An analysis of whether the
30 current complaint form and procedures utilized by the Department of
31 Consumer Protection regarding home improvement contractors are
32 adequate and what specific changes may be made to improve such
33 complaint form and department procedures, and (2)
34 recommendations, if any, regarding the open-book written
35 examination and course of study requirements specified in subsection
36 (b) of section 1 of this act.

37 (c) Not later than July 1, 2016, the Commissioner of Consumer
38 Protection, in accordance with section 11-4a of the general statutes,
39 shall report the results of the study conducted pursuant to this section
40 to the joint standing committee of the General Assembly having
41 cognizance of matters relating to consumer protection and
42 occupational licensing.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>January 1, 2016</i>	New section
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Sec. 2	<i>January 1, 2016</i>	New section
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Statement of Legislative Commissioners:

In Section 1(a), the word "coverage" was added with respect to "evidence of liability insurance" for accuracy and statutory consistency.

GL *Joint Favorable Subst. -LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 16 \$	FY 17 \$
Consumer Protection, Dept.	GF - Cost	260,000	520,000
Comptroller Misc. Accounts (Fringe Benefits) ¹	GF - Cost	96,625	193,250

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill results in a cost to the state of \$356,625 in FY 16 and \$713,250 in FY 17 due to the need for additional staffing within the Department of Consumer Protection (DCP). The DCP would require ten new positions to meet the requirements of the bill. This includes the following: License and Application Specialist, Processing Technician (2), Office Assistant (2), Accounts Examiner, Special Investigator, Paralegal, Staff Attorney (2). In FY 16 costs include Personal Services \$250,000, Other Expenses \$10,000 and Fringe Benefits \$96,625. In FY 17 costs include Personal Services \$500,000, Other Expenses \$20,000 and Fringe Benefits \$193,250.

There are approximately 26,000 registered home improvement contractors (HIC's) in Connecticut. Each year there are approximately 3,000 new registrants. The DCP would have to determine if each HIC passed a test and acquired a \$1,000,000 liability policy. Noncompliance would result in a compliance meeting potentially

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 38.65% of payroll in FY 16 and FY 17.

followed by a revocation hearing. It is estimated that between ten and 30 percent of HIC applications would result in some type of hearing. Only twenty-five percent of HIC applications are done on-line. The remaining seventy-five percent would need to be hand processed and checked for compliance.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation and the number of applications.

OLR Bill Analysis**sHB 5785*****AN ACT CONCERNING INSURANCE AND TESTING REQUIREMENTS FOR HOME IMPROVEMENT CONTRACTORS.*****SUMMARY:**

This bill requires anyone applying for or renewing a home improvement contractor registration to provide evidence of (1) liability insurance of at least \$1 million and (2) successful completion of a consumer protection (DCP) commissioner-approved (a) open-book written examination or (b) course of study. The examination must be based on written material the department publishes and distributes to the public for free.

The bill exempts from the examination and course of study requirements registered contractors who have (1) continuously held a valid registration in Connecticut for five years before the application or renewal or (2) \$30,000 or less in gross annual receipts.

Under the bill, the proof of insurance must be provided to the (1) DCP commissioner or his designee and (2) municipal building department in each municipality where the applicant or contractor submits building permit applications.

Lastly, the bill requires the DCP commissioner to study and report on enforcement and complaint procedures involving registered home improvement contractors.

EFFECTIVE DATE: January 1, 2016

HOME IMPROVEMENT CONTRACTOR STUDY

The bill requires the DCP commissioner to study enforcement and complaint procedures concerning state-registered home improvement contractors. He must report the study's results by July 1, 2016 to the

General Law Committee.

Under the bill, the study must include:

1. an analysis of the adequacy of DCP's current complaint form and procedures and whether specific changes could improve them and
2. any recommendations on the open-book written examination and course of study requirements the bill establishes for home improvement contractors.

BACKGROUND

Home Improvement Contractor Requirements

By law, home improvement contractors and salespersons must register with DCP, and the DCP commissioner may require contractors to post a bond. Registered contractors and salespersons must pay an annual fee to the Home Improvement Guaranty Fund. Contractors must also include their registration numbers in advertisements and show their registrations when asked to do so by any interested party. The commissioner may refuse, revoke, and suspend registrations. He may also report contractors who violate the law to the Motor Vehicle Department, which must refuse to register the contractors' commercial vehicles until they comply with the law (CGS § 20-418 et seq.).

COMMITTEE ACTION

General Law Committee

Joint Favorable

Yea 11 Nay 7 (03/12/2015)